



Haines Borough Administration
Mark Earnest, Borough Manager
(907)766-2231 • Fax(907)766-2716
mearnest@haines.ak.us

Manager's Report

December 14, 2010

Crystal Cathedrals Update

The Borough now owns Cristal Cathedrals Water and Sewer System. The closing documents were signed on Friday, December 3, 2010, with the sale becoming effective at 11:59 pm on that date.

This acquisition was more than one year in the making. It was a very complex issue that involved directors and staff from the Offices or Departments of the Clerk, Finance, Public Facilities and Water / Sewer, Planning, Administration, and the Borough Attorney. I would like to recognize Julie Cozzi, in particular, who oversaw the entire process and coordinated the effort on behalf of the Borough. I would also like to express my gratitude to Vicky Cox for her perseverance and patience throughout the journey. Much work remains, particularly in the area of infrastructure improvements, but we are very hopeful that the acquisition will benefit all of the principals and other stakeholders.

Heliskiing Work Group

The Heliskiing Work Group held its third meeting on Monday, December 6. The primary topic of the meeting was reviewing the draft map revisions put forward by the map subcommittee consisting of Rob Goldberg, Sean Brownell, Scott Sundberg, and Sean Gaffney. The issue of GPS systems was also discussed. The map subcommittee will continue its work, with an emphasis on delineating flight paths. Additional research is also being conducted to identify appropriate technology that can be used for recording and downloading flight log data into a software program to be maintained by the Borough.

The next Work Group meeting is scheduled for 3:30 pm on Wednesday, December 15 at the Assembly Chambers.

As previously reported, the Borough Attorney is continuing to work on a substitute ordinance for review by the Work Group.

Fuel Transfer and Port Tariff Ordinances

I am continuing to have discussions with Amy Humphries, President of Delta Western regarding fuel transfer tariff rates. At this time, I am recommending that the Assembly take action on the both the port tariff ordinance but postpone indefinitely the fuel transfer ordinance at the December 14, 2010 Assembly meeting. I expect to have a final recommendation regarding the port tariff and an amendment for consideration.

Attached are two reports by Northern Economics that I requested regarding the port tariff schedule.

Comprehensive Plan Update

The Request for Qualifications (RFQ) for planning consulting services in regards to the Comprehensive Plan update is being advertised. As previously reported, the purpose of this RFQ is to obtain information related to the experience, references and qualifications of potential consultants or consultant teams. The primary role of the Consultant is to provide overall guidance and coordination in developing the draft and final work products, as well as possibly serving as a facilitator for public meetings and data collection through a variety of methods, including surveys.

The RFQ states that the Borough will be taking a very active role in the research and development of the Plan. The Planning Commission will be guiding the process and Borough staff will be thoroughly involved in all facets of the assimilation of data and development of background information and that existing and concurrent consultant work products will also be incorporated into the Plan.

A copy of the final RFQ is attached. The deadline for submittal is 1:00 pm, Wednesday, December 21, 2010.

Delta Western Lease Update

I believe all substantive issues regarding the Lutak Dock lease have been resolved. I expect to have an ordinance for introduction at the next regular Assembly meeting.

Picture Point Negotiations

Discussions regarding Nukdik Point (also known as "Picture Point") property are in progress. I will have a proposal to present to the Assembly in executive session at the December 14 meeting.

Tourism Director Position

As previously reported, the Tourism Director finalists are: Tanya Carlson, Adam Patterson, and Ross Silkman. I have scheduled a visit to Haines for Tanya Carlson from December 19 to 22. This will be an opportunity to have a follow up, face-to-face interview with Ms. Carlson, as well as an opportunity for the community to meet all of the finalists.

Skagway Visit

Arrangements are currently being made for the Haines Borough Assembly trip to Skagway [Monday, February 7 on the Malaspina](#), as follows:

[12:45pm MAL Ar fr HNS](#)

[03:15pm MAL Dp to HNS](#)

Voter Eligibility Qualifications

In response to the question raised at the November 30, 2010 Assembly meeting regarding voter residency requirements and whether the Charter would allow the Borough to increase the residency requirement for voting to say 60 or 90 days through a Code amendment. The answer is "no".

Section 16.05 of the Charter is provided below:

Section 16.05 Qualifications of Voters

To vote in any borough election, a person must be registered to vote in Alaska State elections at a residence address within the Haines Borough at least 30 days before the election in which the person seeks to vote. The voter must reside in the district in which he seeks to vote.

The Charter says, to qualify a person must be "at a residence address within the Haines Borough at least 30 days before the election." Therefore, the Code cannot be amended to require a longer period because someone moving to Haines 31 days prior to the election, for example, would qualify as a voter pursuant to the Charter. The only way to increase the residency requirement for voting purposes is to amend the Charter.

Haines Borough
Request for Qualifications
Comprehensive Plan Update

Introduction

The Haines Borough is requesting qualifications from planning consulting firms who have experience in the community comprehensive plan update process. The purpose of this Request for Qualifications ("RFQ") is to obtain information related to the experience, references and qualifications of potential consultants or consultant teams.

This notice shall serve as the Haines Borough's Request for Qualifications (RFQ) for consultants. Responses to this RFQ will be used in the process to select and negotiate with a qualified firm to perform the work described herein. The most recent update of the Comprehensive Plan was completed in 2004. The "Planning Area" to be addressed by this project is shown on the attached map and includes the entire Borough.

This RFQ does not commit the Haines Borough (hereinafter "Borough") to enter into a contract, nor does it obligate the Borough to pay for any costs incurred in the preparation and submission of Qualification Statements or negotiations for or in anticipation of any contract. The Borough reserves the right at its sole discretion: to make selections, to reject any or all submissions, to issue subsequent RFQs, to remedy technical errors in the RFQ process and to enter into a contract with one or more consultants for the provision of any, all or some of the services described herein.

Background

The Haines Borough Assembly established updating the Borough's Comprehensive Plan as one of its top priorities for the fiscal year ending June 30, 2011. The current plan was updated in 2004. Funding in the amount of \$45,000 was appropriated in the FY11 budget for this purpose. An additional \$40,000 was appropriated for technical consulting for targeted economic development initiatives, including grants and special projects, a portion of which can be allocated for this project.

This scope of work for this project includes updating the Haines Borough Comprehensive Plan (hereinafter "Plan"), as well as creating and/or updating a Land Use Plan, Community Facilities Plan, Transportation Improvement Plan (TIP), Utility Improvement Plan (UIP), Economic Development Plan, Strategic Plan, and other related planning documents. This effort will provide the foundation for establishing and implementing short- and long-term goals and objectives to address desired levels of Borough programs and services, policies regarding program cost recovery and inter-fund transfers for operating and capital improvements, and revenue enhancements.

The Haines Borough Charter and Code provide specific requirements and general guidance regarding the procedure and content for the Comprehensive Plan update.

Section 8.04 of the Haines Borough Charter states:

There shall be a comprehensive plan adopted and implemented by the assembly, which shall be presented to the assembly by the planning commission for adoption by ordinance. The plan shall serve as a guide for all planning commission recommendations and all assembly legislative action concerning land use and development issues. Among other prescriptions, it shall include the following:

- (1) statements of policies, goals, and standards;
- (2) a land use plan;
- (3) community facilities plan;
- (4) classification, plan, and requirements for disposal of borough lands;
- (5) a transportation plan; and
- (6) recommendations for implementation of the comprehensive plan.

Section 18.30.040(L) of the Haines Borough Code states:

A comprehensive plan is a compilation of policy statements and maps for guiding the physical, social and economic development, both private and public of the borough, and may include, but is not limited to, the following: statements of policies, goals, standards, a land use plan, a lands classification plan and requirements for disposal of borough lands, a community facilities plan, a transportation plan, coastal development and management plan, and recommendations for plan implementations. The assembly shall be guided in the adoption of the comprehensive plan by the recommendations of the planning commission. The assembly may modify the plan, provided it first obtains the recommendations of the planning commission. The planning commission shall undertake the overall review of the plan at least once every two years and shall present recommendations based on the review to the assembly. (Ord. 06-06-145)

Services to be Provided

The selected Consultant will assist the Haines Borough in updating its Comprehensive Plan. As prescribed by the Haines Borough Charter and Code, the Planning Commission (hereinafter "Commission") oversees the development of the Plan. The Commission will then submit the draft Plan with its recommendations to the Assembly for consideration. The Assembly may modify the Plan prior to adoption.

The primary role of the firm or individual selected (hereinafter, "Consultant") is to provide overall guidance, coordination, assimilation, context, formatting, and printing of draft and final work products. The Consultant may also be asked to serve as a facilitator for public meetings and data collection through a variety of methods, including surveys.

The Borough will be taking a very active role in the research and development of the Plan. Borough staff will be thoroughly involved in all facets of the assimilation of data and development of background information. Existing and concurrent consultant work products will also be incorporated into the Plan.

At this time, the scope of services includes the following significant elements:

- Attend and facilitate meetings of the Comprehensive Plan Update Steering Committee (hereinafter, "Steering Committee"). These meetings are expected to occur not less than monthly during the update process.
- Conduct a minimum of three public meetings to solicit input and to present recommendations.
- Attend Borough Assembly, Planning Commission, and other Borough committee meetings as deemed necessary during the update process, which will be concluded

by Borough Assembly's adoption of an ordinance adopting the Comprehensive Plan Update in accordance with the Borough's Charter and Code procedures.

- Define appropriate land uses within the 20-year planning horizon for the planning area.
- Prepare and submit both draft and final versions of the Plan.
- Provide 50 printed copies of the final Comprehensive Plan Update document and provide an electronic copy of the final document in PDF format (text and maps).

The scope of services will be finalized once the consultant for the project is selected.

Minimum Qualification Statement Contents

1. Consultant name or names if joint effort
2. Address of office where the majority of work for this engagement will be performed
3. The number of years the consultant has been in business and a brief history of the firm
4. List of proposed personnel to be involved with this project, including the name of the individual who would be the Borough's primary contact during the project
5. Specialized experience with similar projects and land use planning and technical expertise of consultant and its personnel to be assigned to this project
6. Staff availability during the project time period, taking into consideration the current and planned workload of the consultant
7. Proposed project budget with breakdown of personnel costs, reimbursable expenses and other costs
8. Proposed project schedule with significant milestones identified
9. Past record of performance on similar contracts with the Borough and/or other clients including quality of work, timeliness and cost control. Provide names and telephone numbers of other client contacts for reference purposes.
10. Description of consultant's experience in working with communities similar in size and character to the Haines Borough
11. Description of consultant's work for other public or private clients in the Haines area that may pose a potential conflict of interest
12. List of sub-consultants to be used, if any

Qualification statements must contain responses corresponding to each numbered item in the above list as a minimum.

Selection Process

The selection process will proceed in the following manner:

1. The Borough will review and evaluate the Statements of Qualifications submitted. Evaluation criteria include, but are not limited to:

- a. The proximity to the Borough of the consultant's office location where a majority of the work will be performed.
 - b. The experience and qualifications of the consultant and the personnel to be assigned to this project.
 - c. The consultant's performance on past Haines Borough projects, if any.
 - d. Other factors including but not limited to related experience in working with similar communities, the consultant's current workload and potential conflicts of interest.
2. The results of the review and evaluation of the responses to the RFQ will be used to select one or more consultants to meet with Borough staff or any selection team for an interview.
 3. Negotiations will begin with the top ranked consultant. If negotiations are not successful, the process will begin again with the consultant rated second and so on.
 4. Upon completion of successful negotiations, a recommendation will be made to the Borough Assembly for the authorization of a contract with the consultant. After authorization by the passage of a Resolution by the Assembly, a contract will be executed by the Borough and the consultant.

Submission of Qualification Statements

Submissions received after the deadline will not be considered. Questions may be directed to Mark Earnest, Borough Manager (907) 766-2231 ext. 29 or mearnest@haines.ak.us.

10 copies of the Qualification Statement Proposals may be hand-delivered, mailed, express delivered, faxed, or emailed until **1:00 PM, Alaska Standard Time, Wednesday, December 21, 2010**. Submissions must be clearly marked "Haines Borough Comprehensive Plan Qualifications" and submitted to:

Attn: Office of the Borough Clerk
Haines Borough
P.O. Box 1209, Haines, AK 99827
103 Third Ave. S
907-766-2716 ext 31 or 60

jcozzi@haines.ak.us or jheinz@haines.ak.us

The Borough reserves the right to reject any and all submittals, to waive any informalities or technicalities, and to negotiate with any responder to this RFQ it deems to be the best qualified.

HAINES BOROUGH, ALASKA
PUBLIC FACILITIES
P.O. BOX 1209
HAINES, AK 99827
(907) 766-2257 * FAX (907) 766-2256



November 30, 2010

To: **Mark Earnest**
Haines Borough Manager

Public Facilities Report for September, October and November Capital Projects Summary

I would first have to make an apology for not having submitted a report for the last couple of months. You can see by the number of tasks that we have been working on we have had a full plate. We

Waterfront Improvements Project

The project continues on schedule with progress in both the civil and restroom construction. We have encountered some difficulties with differing site conditions that have all been addressed with minimal interruption to the schedule and overall cost of the project. SRI aggressively pursued the civil tasks and has completed a significant portion of that work. Works continues on the restroom portion of the project.

Klehini Fire Hall Siding Replacement

Stickler Construction has completed siding, windows and door replacement on the Mosquito Lake Fire hall. Reports from the fire chief, the work was well done and they are pleased with the work. Siding was replaced on approximately 60% of the building along with replacement of windows with thermal pane insulated windows.

School Playground Cover

The playground cover is substantially complete and the project has been inspected by the borough and school personnel. The work was well done and accepted by the borough. The last punch list item for completion is installation of the snow stops which will be installed upon arrival. Dawson did a great job on the construction and civil work leaving the site in good condition.

First, Willard, Oceanview, Mission Waterline

This project has been completed by Southeast Roadbuilders and because of favorable bid price, several other tasks were added to the scope of work. These included paving of Oceanview, waterline replacement (approx. 600 ft) and paving on View Street between 1st and 2nd, waterline replacement and paving approx. 200 ft. on Lynnvue, Haines Highway waterline crossing at 1st Avenue. Other work included sub-excavation of unsuitable materials and replacement with structural fill between 1st and 2nd.

RMSA Road Improvements

Grading and Brushing was completed on several sections of borough RMA roads. This includes Chilkat Lake road, Riverview Road, Eagle Vista, Corrina Drive, Porcupine Road and Letnikof Estates. Dolphin street was resurfaced and graded also. Next spring we will continue with maintenance and add additional areas to be brushed. Included in next year's work will be additional resurfacing of existing roads.

Lily Lake Waterline Replacement

Project has been substantially completed with only final road grading and shaping to be completed next spring. Because of heavy weather conditions the road became saturated and work was suspended until next spring. Because of favorable bid results, it is the boroughs intention to add several tasks to the project. This includes new control panel for filter operation and a backup generator for the water plant.

The additional work will also include preparation and infrastructure that will give us the opportunity to automate water management in the future.

Mosquito Lake Boiler Replacement

Boiler Replacement is substantially complete, currently we are undergoing testing and programming on the system. The project has turned out very well. Dawson Construction and Pacific Rim Mechanical have done an excellent job of putting this project together. While some control work remains to be ironed out, in general the system is very robust and functional. Significant fuel savings should be seen with the new system.

School Demolition Project

Demolition project is substantially complete. Weather conditions hampered work and final site grading and seeding will be completed next spring. Additional asbestos abatement was necessary as well as significant soil remediation needs to be completed next summer. Unfortunately fuel from the leaking tank contaminated most of the primary school site. A work plan will be completed this winter with remediation taking place next spring.

Wood Heat Study

The Borough has requested a fee proposal from Alaska Energy Engineering to provide services to continue the wood heat study. **Task #1** will include a comparison with status quo (oil) with both centralized and distributed wood pellet heat. This comparison will utilize energy with a known quality and heating value. Sealaska Corporation is developing a wood pellet distribution system in Southeast Alaska and will be a supplier. **Tasks #2** compare the lowest life cycle cost from Task #1 with cordwood and chip heating systems. This study will provide information necessary to understand what requirements are needed to be competitive with oil and pellets using a local wood source.

Senior Center Roof Repair

This project was stalled due to administrative issues with the funding agency. We now have a Memorandum of Agreement with Southeast Senior Services to expend \$50,000 in grant funds to repair the roof including the access ramp to the Senior Center. This work will be advertised this winter for a spring startup.

Other Work

Facilities Maintenance

Facilities maintenance continues to hum along. In addition to normal duties of routine maintenance, a significant amount of work was done to the Assembly Chambers including new carpet, painting, windows, and countertops. This was a commendable effort led by Ed Bryant and the help of many. Quite a bit of effort has been put into reducing energy usage in borough facilities with replacement of lights, electronic thermostats, and thermo pane windows. The borough recently purchased boiler tune-up equipment and we are seeing up to a 20% increase in efficiency in some of the boilers. We will continue to focus on improvements to the Public Safety Building per the recommendation of the Energy Audit performed this spring.

Public Works

This summer and fall additional efforts were put into road maintenance including brushing, grading and beginning a resurfacing program. A new mechanic was brought on staff; Tyler Johnson is working diligently to improve vehicle maintenance and equipment availability and significant improvements have been made to the shop including a vehicle lift, and additional maintenance tools.

Sewer / Water Dept.

- I have received several comments regarding the taste and condition of our drinking water. We have begun to proactively address these issues and are working to correct several deficiencies. The filtration system at the water plant has not had a media replacement since the mid 80's; typically, replacement should be done in shorter increments. The piping and hardware within the filter system needs to be refurbished or replaced. Parts and filter media is being ordered to begin these repairs ASAP. ADEC Division of Water will be helping us to bring the system back into proper working order.

- The sewer plant clarifier has a significant problem with its rake drive. Repair work needs to be completed to the main shaft so the system will function properly. The project is being advertised for bid. We anticipate this work being completed in January.
- Long term, I have contacted ADEC and asked for assistance from their remote maintenance worker program to train personnel and establish routine maintenance habits.

Equipment Purchases

The borough has put out two RFP's for equipment purchases. Both pieces are in the CIP list for replacement.

- **Wheel Excavator:** This is a key piece of equipment for utilities maintenance work. We were looking for a late model used unit to replace the 20 + year old one we have. The lowest price machine was a NEW Doosan excavator. After some research and discussion with equipment owners, this machine will be a sound investment.
- **Plow Truck:** This vehicle will be a new addition to the borough fleet and serve several purposes. The 1 ton truck will have a small dump box, plow and sander to use in place of two existing pickup plow trucks. Also the sander will be used to keep up parking lots and areas where larger sander is not practical. Our long term goal is to replace large pickups with smaller fuel efficient trucks and this vehicle will be shared with departments when a larger vehicle is needed.

Grants and Loans

We have several outstanding grant and loan applications. We are focusing on detailed budgets that will capture not only the construction costs, but also costs other borough funds traditionally bear: administration, department support and time, and any associated costs that can be attributed to the overall project. We have worked to track costs closely, allowing us to apply for additional work under the funding in place, and add significant value and tasks to the project. Outstanding applications include:

- **Excursion Inlet AEA Grant**
- AEA funding to begin a feasibility study that will identify and scope a hydro project at Excursion Inlet. This was a fast track project to insure a comprehensive application was submitted that will have merit in the selection process. Electric Power Systems Inc. from Juneau, and EES Consulting out of Kirkland, WA put together an excellent document for submission.
- **ADEC Drinking Water Loan Applications**
- We currently are approved for two low interest loans from the drinking water fund. The borough is processing the loan application for AC Pipe Replacement 4th, View, and Lynnvue, and Barnett Water Tank Replacement. The **AC Pipe Replacement** will need to be completed before Paving and drainage can be completed on streets. **Barnett Tank Replacement** will replace the aging and leaking tank. We have noticed a significant reduction in water production that can be attributed to replacement of leaking tanks and pipelines.
- **Denali Commission Funding for Roads**
- The Borough has submitted an application for \$1 million to the Denali Commission for paving Phase 2 Roads: First Avenue, Willard St. and Third Avenue between Old Haines Highway, Union St. This funding will be used along with other sources to complete paving and sidewalks on projects currently in engineering.

Wayfinding

A committee of people representing the Planning Commission, the Tourism Advisory Board and the Chamber of Commerce is meeting under the direction of Facilities staff to design a wayfinding program for the community. We expect to have strategic signage installed by May 1 at the PC dock, the Visitor Center and along pedestrian walkways in town.

Pending Projects Needing Borough Attention/Decisions this winter

- PC Dock Repair (Trestle)
- Safe Routes to Schools Action Plan
- Borough assistance in planning for Elementary School Building
- NukDik Point – Funding structure: Scenic Byways Funding?

Respectfully, Brad Maynard

Memorandum

Date: November 10, 2010
To: Mark Earnest and Ed Barrett, Haines Borough
From: Mike Fisher, Northern Economics
Re: Findings of the Tariff Study Phase 1

This memo presents our findings of a tariff study for maritime fuel transport. The objectives of the memo are to present the fuel wharfage/throughput charges assessed in other ports around the state of Alaska and, where information is readily available, provide annual fuel volumes for each of those communities. The memo is intended to be used to support discussion about the appropriate fuel throughput charge in Haines.

The memo provides information on fuel wharfage/throughput rates for sixteen ports in Alaska, based on published tariffs and other sources, and fuel quantities (expressed in short tons) for fourteen of these ports, based on Waterborne Commerce Statistics data from the U.S. Army Corps of Engineers.

Summary of Findings, Discussion

Table 1 summarizes the findings of the tariff review. As seen in the table, fuel charges range from less than \$0.01 per gallon (at the Port of Anchorage, Cordova, Homer, and Ketchikan) to \$0.066 per gallon (at the Port of Bristol Bay in Naknek), with most ports charging between \$0.01 and \$0.03 per gallon. The lowest rates, such as those charged by the Port of Anchorage, tend to be a function of the size of the operation or relative market. The Port of Anchorage handles more than 400,000 short tons of petroleum and petroleum products annually. The Port of Valdez handles more than 35 million short tons annually, though the vast majority of this amount comes from petroleum exports from Alyeska Pipeline Service Company's terminal.

When setting a rate for fuel transfers, one should consider a number of factors. A market-based approach to setting a rate considers the rates charged at similar facilities, based on geographic location, fuel quantities, and other points of comparison. The problem with market-based rates is that market rates assume other facilities are the same as one's local facilities, and rely on other communities to have developed appropriate rates based on their costs. The economic basis for the rate should come from the capital, operations, maintenance, depreciation, and major repair and replacement costs associated with the facilities used to store and transfer fuels. Traditionally, many of the maritime facilities in Alaska have not set rates according to these full economic costs and have had to subsidize facility costs with general funds. This makes it problematic to rely on market-based rates.

Another factor to consider when setting a rate is the responsiveness of the tariff to inflation and other changes in costs over time. If rates are updated on a regular basis, then the economic rate is the best rate to use. However, if tariff updates occur less frequently than every one to two years, then a higher, levelized rate should be used to ensure it covers increasing costs over time.

Table 1. Summary of Petroleum and Petroleum Products Wharfage/Throughput and Volume, by Port

Port	Fuel Wharfage Charge (\$/gallon)	Annual Shipments (short tons)	Source/Notes
Anchorage	0.003	405,636	Inbound/outbound, liquids, petroleum or petroleum products, N.O.S., in bulk, discharged or loaded direct from or to vessels' tanks to or from storage tanks. Charge is \$0.125 per barrel. Sources: Port of Anchorage (2005), USACE (2010).
	<0.001		Transfer, liquids, petroleum or petroleum products, N.O.S., in bulk, discharged, loaded, transported or otherwise transferred via pipeline within the Petroleum Terminal facility. Charge is \$0.031 per barrel. Source: Port of Anchorage (2005).
	0.0125		Fuel, liquids, petroleum or petroleum products, N.O.S., in bulk, discharged or loaded between mobile motor freight tank vehicles or railroad tank cars and vessel's tanks. Source: Port of Anchorage (2005).
Bethel	0.040	36,366	Inbound petroleum products or overside. Tonnage from CY2008. Sources: Port of Bethel (2009), USACE (2010).
Bristol Bay	0.021		Wharfage, petroleum or petroleum products in packages. Charge is \$0.29 per 100 pounds. Cost per gallon based on 7.15 pounds per gallon, ignoring container weight. Source: Bristol Bay Borough (2008), Northern Economics, Inc. analysis.
	0.051		Handling, petroleum or petroleum products in packages. Charge is \$0.73 per 100 pounds. Cost per gallon based on 7.15 pounds per gallon, ignoring container weight. Source: Bristol Bay Borough (2008), Northern Economics, Inc. analysis.
	0.066		Charge for fuel transferred from vessel to tanker, tanker to vessel, vessel to vessel, vessel to pipeline and/or pipeline to vessel, in addition to dockage charges. Source: Bristol Bay Borough (2008).
Cordova	0.004 0.003 0.003	5,524	Charge for fuel transfers over dock facilities is based on the volumes: \$0.16 per barrel for the first 50,000 barrels, \$0.14 per barrel for the second 50,000 barrels, and \$0.13 per barrel past 100,000 barrels. These tiers are shown in order in the table. Sources: City of Cordova (1994), USACE (2010).
Dillingham	0.030	19,918	Charge covers fuel transfers from vessel to tanker, tanker to vessel, vessel to pipeline, and/or pipeline to vessel, with the exception of fuel transfers bound for the electric cooperative (charged at \$0.025). Normal dockage charges apply. Sources: City of Dillingham (2007), USACE (2010).
Homer	0.010	144,677	Charge is \$0.37 per barrel of \$0.01 per gallon for inbound and outbound shipment of petroleum products. Sources: Port of Homer (2009), USACE (2010).
Juneau	0.05	76,433	Petroleum shipments do not include Douglas Harbor. Sources: Stone (2010), USACE (2010).
Ketchikan	0.004	191,351	Wharfage charge for liquid cargo is \$1.00 per short ton. Cost per gallon based on 7.15 pounds per gallon. Sources: City of Ketchikan (2008), USACE (2010).
King Cove	0.025	8,706	Wharfage charge is on inbound shipments only, with outbound shipments subject to a 2 percent sales tax. Sources: City of King Cove (2010), USACE (2010).

Port	Fuel Wharfage Charge (\$/gallon)	Annual Shipments (short tons)	Source/Notes
Kodiak	0.015	18,105	Kodiak charges for fuel through easement agreements with Petro Marine Services and North Pacific Fuel. The current rate for the PMS agreement is \$0.015 per gallon for deliveries from a fuel truck. The current rate for NPF is \$0.215 per barrel plus \$0.01 per gallon for deliveries by pipeline or fuel truck. Sources: City of Kodiak (2004a, 2004b), USACE (2010).
Nome	0.030	40,055	Wharfage, inbound bulk liquid products. Sources: City of Nome (2010), USACE (2010).
	0.015		Wharfage, outbound bulk liquid products. Source: City of Nome (2010).
	0.010		Wharfage, over-side bulk liquid products. Source: City of Nome (2010).
Port MacKenzie	Negotiated		Source: MSB (2006).
Seward (ARRC)	0.010	1,019	Wharfage charge shown for Alaska Railroad Corporation's dock. Sources: Morrissey (2010), USACE (2010).
Unalaska/Dutch Harbor	0.022	314,104	Flowage fee is \$4.39 per short ton or \$0.022 per gallon, unless another rate has been negotiated. Sources: City of Unalaska (2010), USACE (2010).
Valdez	0.002	35,966,418	Wharfage, petroleum and petroleum products, inbound and outbound. Charge based on \$0.10 per barrel. Petroleum volume includes TAPS exports. Sources: Port of Valdez (2008), USACE (2010).
	0.010		Wharfage, fuel transfers. Not applicable to vessels with a paid slip in the boat harbor, regardless of where transfer takes place. Petroleum volume includes TAPS exports. Source: Port of Valdez (2008).
Whittier (ARRC)	0.010	7,803	Wharfage charge shown for Alaska Railroad Corporation's dock. Sources: Morrissey (2010), USACE (2010).

Sources: as noted

Note: Annual shipments includes petroleum and petroleum products.

When considering future rate changes, it may also be helpful to consider inflation in construction costs as well as the resources being transported. The Bureau of Labor Statistics' Producer Price Index measures the change over time in the prices received for domestic producers' output. For dock maintenance and construction industries, costs have increased 3.2 to 4.1 percent annually, yielding a 3.7 percent annual average from 2000 to 2010 (BLS 2010). Extrapolating back to 1994 suggests that dock construction and maintenance costs have increased 70 to 90 percent from 1994 to 2010. The tariff should keep up with construction costs since major repair and replacement costs have increased over time.

Since 1994, fuel prices have increased even more than base construction costs. Data from the Energy Information Administration shows that West Coast retail gasoline prices have increased at a compound annual growth rate of nearly 6 percent from 1994 to 2010, reflecting a cumulative increase in fuel costs of 153 percent (EIA, 2010). Note that this does not include any regionally-based increases in fuel costs due to transportation or other factors. In other words, fuel prices are 2.5 times what they were in 1994; the wharfage charge has not kept up with the increased value of the resource.

References

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Date: December 3, 2010
To: Mark Earnest and Ed Barrett, Haines Borough
From: Mike Fisher, Northern Economics
Re: Findings of the Tariff Study Phase 2

This letter report presents our recommendations for Haines' fuel throughput fee, based on fuel currently moving across the Lutak Dock and expenses associated with operating and maintaining that dock. This study uses a life-cycle costing approach to evaluate the annualized cost of providing service and then uses the average fuel volume to arrive at a tariff rate to cover costs. The letter provides our fuel tariff recommendation and then discusses the analysis and data sources that contribute to the recommendation. This analysis is based on a starting year of fiscal year (FY) 2012.

Fuel Throughput Fee Recommendation

Based on the life-cycle cost approach used in this study, we recommend a fuel throughput fee of \$0.0248 to \$0.0269 per gallon, based on 12 to 13 million gallons of fuel handled annually. We recommend the midpoint rate of \$0.0258 per gallon. This recommendation is based on an allocation of 27.5 percent of port and harbor expenses to fuel operations. Please see the Sensitivity Analysis section for more discussion about the rate recommendation at different allocation percentages.

Development of Fuel Tariff Recommendation

The fuel tariff recommendation was developed using the life-cycle costing approach. This approach considers cash flows over the life of an asset, including development, construction, operations and maintenance, and decommissioning. The net present value of those cash flows then forms the basis for an annualized cost, similar to the constant payment of a mortgage. The rate recommendation is based on the annualized cost and the annual fuel volume over which to allocate those costs.

Cash flows for the first several years are shown in Table 1. These amounts represent the estimated share of total costs assigned to the Lutak Dock. Operation costs increase annually based on inflation, as discussed in the section on operating costs, below. Only the first few years of the analysis are shown in the table to demonstrate the growth of operating costs over time. When new dock facilities are constructed (in 2017, 2042, and 2043; see the following section on capital costs), there is an increased cash flow requirement. This is reflected in the analysis, but does not appear completely in the table due to the period shown.

Table 1. Cash Flow Projections, FY 2012–2018

	Capital Cost Allocation	Fiscal Year						
		2012	2013	2014	2015	2016	2017	2018
Capital Costs (\$1000s)								
Lutak Dock Replacement	100	0.0	0.0	0.0	0.0	0.0	13,345.7	0.0
Lutak Dock Depreciation	100	371.3	385.1	399.3	414.1	429.4	445.3	461.8
Operations and Maintenance Costs (\$1000s)								
Salaries and wages	27.5	33.5	36.5	39.7	43.3	47.1	51.3	55.8
Employee burden	27.5	11.8	12.9	14.2	15.5	17.0	18.7	20.5
Health insurance	27.5	8.1	9.3	10.6	12.1	13.8	15.8	18.0
Supplies and postage	27.5	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Materiel and equipment	27.5	1.5	1.5	1.6	1.6	1.7	1.7	1.8
Computers and peripherals	27.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Prof. and contractual services	27.5	2.7	2.8	2.8	2.9	3.0	3.1	3.2
Dues, subscriptions, fees	27.5	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Travel and per diem	27.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6
Training	27.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Advertising	27.5	0.2	0.2	0.2	0.2	0.2	0.2	0.3
Banking and insurance	27.5	3.9	4.0	4.1	4.2	4.3	4.5	4.6
Vehicle expense	27.5	0.6	0.6	0.7	0.7	0.7	0.7	0.7
Utilities	27.5	2.4	2.5	2.6	2.6	2.7	2.8	2.9
Rentals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Work orders - ALL (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Northern Economics, Inc. analysis

The annualized cost of providing service is calculated as the net present value of all cash flows for the affected infrastructure. The net present value calculation uses a 40-year term, reflecting the useful life of the dock facilities, and a 4.5 percent discount rate. The discount rate of 4.5 percent comes from Circular A-94 for projects with a 30-year term (OMB 2009). The net present value of the cash flows is \$34.5 million. On an annualized basis, again using a 40-year term and 4.5 percent rate, the annual cost is \$322,410, an amount which the fuel tariff revenues need to cover. Please note that these results are based on 27.5 percent of expenses being allocated to fuel operations. Please see the Sensitivity Analysis section for information about how the allocation percentage affects the results of the analysis.

Based on annual fuel volumes of 12 to 13 million gallons annually, the recommended tariff range is \$0.0248 (13 million gallons) to \$0.0269 (12 million gallons) per gallon. For the midpoint of 12.5 million gallons, the rate is \$0.0258 per gallon.

Capital Costs of Dock Facilities

The Haines Borough provided capital cost information for the Lutak dock's construction in 1977 and later improvements. Six capital improvements were noted, though one was a relatively small improvement (approximately \$30,000 in 2006/2007) that was expensed rather than depreciated. This expense was not included in the analysis. The five large improvements have been depreciated using a 40-year life and the straight-line depreciation method. The improvements considered in this study are

shown in the following table, along with an estimate of the nominal replacement cost of each, for the year in which they will be replaced, based on annual inflation of 3.7 percent.

We have assumed that the 1995 fender replacement cost would be incurred again in 2017, rather than in 2035 as would be suggested by a 40-year useful life. We have made this adjustment since the fenders would be a part of the construction project to replace the dock in 2017. This affects the capital cost outlay in 2017, but does not affect other operations or maintenance costs.

Table 2. Capital Costs of Lutak Dock Improvements

Improvement	Date in Service	Original Cost (\$)	Life	Annual Depreciation (SL) (\$)	Replacement	
					Year	Nominal Cost (\$)
Lutak Dock	1977	2,912,460	40	72,812	2017	12,456,907
Lutak Dock Fender Replacement*	1995	399,620	40	9,991	2017	888,750
Lutak Dock	2002	269,800	40	6,745	2042	1,153,964
Lutak Dock	2003	2,405,721	40	60,143	2043	10,289,529

Source: Haines Borough (2010), BLS (2010), and Northern Economics, Inc. analysis

Note: * The fender replacement after 40 years is assumed to take place in 2017 to coincide with the major dock replacement project.

The 3.7 percent inflation is based on the 10-year compound annual growth rate in the Producer Price Index for industries associated with dock construction and maintenance (BLS 2010). This inflation rate is used for this study to inflate the cost of improvements so that replacement projects can be valued in the year in which they occur.

Operating Costs of Dock Facilities

The Haines Borough provided detailed expenditure information for the Ports department for fiscal years 2006 through 2010, as shown in Table 3. In 2010, employee-related costs accounted for more than 81 percent of the total expenditures and are therefore the dominant driver of costs in this study.

The growth rate of each expenditure category varies substantially. Some expenditure items have increased by 6 to 8 percent annually from 2006 to 2010, while others have experienced double-digit increases upwards of 80 percent. For this study, we have selected more moderate growth rates of three percent or six percent for most items, reflecting increases roughly equal to consumer inflation or twice that amount. Due to the growth in employee-related costs, we retained the 8.9 percent growth rate for salaries and wages, 9.6 percent for the employee burden, and 14 percent for health insurance.

The Consumer Price Index is an inflation measure based on the changes in prices paid by urban consumers for a representative basket of goods and services (Alaska Department of Labor and Workforce Development 2010). In Alaska, the CPI is only calculated for Anchorage. Between 1990 and 2009, the CPI grew almost 62 percent, representing a compound average growth rate of 2.6 percent. Inflation is assumed to be three percent for this study, due to Haines’ relative cost difference from Anchorage due to geography, though as noted above some items are expected to increase at twice this rate, or more.

Table 3. Ports Expenditure Detail, Dollars, Fiscal Year 2006-2010

Expenditure Category	Fiscal Year				
	2006	2007	2008	2009	2010
Salaries and wages	73,288	63,592	89,201	100,628	102,915
Employee burden	24,685	21,575	34,978	36,727	35,663
Health insurance	13,335	6,372	17,561	20,088	22,663
Supplies and postage	351	800	418	394	291
Materiel and equipment	10,908	13,072	14,217	11,535	5,119
Computers and peripherals, communication	23	44	127	1,585	64
Professional and contractual services	860	12,464	6,157	8,114	9,191
Dues, subscriptions, fees	63	63	63	63	183
Travel and per diem	502	2,288	1,305	724	1,635
Training	0	1,150	250	0	113
Advertising	68	369	93	320	579
Banking and insurance	17,524	18,313	18,024	14,334	13,206
Vehicle expense	1,639	1,778	4,252	2,019	2,107
Utilities	7,681	5,883	7,439	7,634	8,287
Rentals, building maintenance and repair	3,257	0	150	0	0
Work orders (all, net)	-778	644	621	-5,053	-4,997
Total	153,404	148,406	194,855	199,113	197,017

Source: Haines Borough (2010)

Long-Term Maintenance and Repair Costs of Dock Facilities

We do not have information about long-term major maintenance costs for the dock facilities. However, the capital cost information provided by the borough is helpful for approximating these costs. The 40-year life used by the borough results in an annual depreciation expense of 2.5 percent of the capital cost of each improvement. This is a reasonable percentage of capital costs to use for maintenance and major repair over the lifetime of a facility, so the depreciation expense was used as a proxy for maintenance and major repair (MMR) needs. It is important to note that actual maintenance expenses will likely be lower than 2.5 percent annually for newer facilities, and higher than 2.5 percent annually for older facilities. Table 4 summarizes the estimated annual maintenance and major repair costs for each of the major improvements that have been made from 1977 to 2003. The table bases the annual MMR cost on FY 2012 dollars, which is the starting point for the analysis. MMR costs are inflated each year thereafter at 3.7 percent, reflecting inflation in dock construction and maintenance costs.

Table 4. Estimated Maintenance and Major Repair Costs of Lutak Dock Improvements, 2012 Dollars

Improvement	Date in Service	Replacement Cost (2012\$)	Annual MMR Cost (\$)
Lutak Dock	1977	10,387,629	259,691
Lutak Dock Fender Replacement	1995	741,116	18,528
Lutak Dock	2002	387,998	9,700
Lutak Dock	2003	3,336,215	83,450

Source: Haines Borough (2010), BLS (2010), and Northern Economics, Inc. analysis

Allocation of Dock Costs to Fuel and Cargo Activities

The Haines Borough Finance Director stated that payroll expenses are split roughly in half between port and harbor functions (Stuart 2010). Within the port functions, there is a revenue split of roughly 45 percent cargo and 55 percent fuel. This 55 percent share for fuel was used as a proxy for allocating expenses for fuel infrastructure. These two factors combined, 50 percent to port activities and 55 percent of port activities to fuel operations, results in an estimated 27.5 percent of total port and harbor expenses being allocated to fuel infrastructure and handling.

Sensitivity Analysis

The 27.5 percent allocation of expenses to fuel activities is a rough estimate and, without more detailed accounting information, should be treated as a preliminary result. To address some of the uncertainty about this allocation, we conducted a simple sensitivity analysis to determine the fuel tariff range based on varying allocation percentages. Table 5 shows the recommended range of fuel rates at different annual fuel volumes for allocations ranging from 20 percent to 50 percent. As shown by the results, the results are highly insensitive to the allocation of operating expenses. The midpoint rate with the initial 27.5 percent allocation is \$0.0258 per gallon. Increasing that allocation to 50 percent (an 82 percent increase) only increases the midpoint rate to \$0.0307 (a 19 percent increase, representing an elasticity of 0.23). This insensitivity is due to the relatively low cost of operations when compared with the capital replacement and annual repair and major maintenance costs.

Table 5. Analysis of Rate Sensitivity to Cost Allocation Percentage

Allocation of Expenses to Fuel Operations (%)	Annualized Revenue Requirement	Fuel Tariff Recommendation (\$/gallon)		
		12 Million Gallons	12.5 Million Gallons	13 Million Gallons
20.0	301,961	0.0252	0.0242	0.0232
22.5	308,777	0.0257	0.0247	0.0238
25.0	315,593	0.0263	0.0252	0.0243
27.5	322,410	0.0269	0.0258	0.0248
30.0	329,226	0.0274	0.0263	0.0253
32.5	336,042	0.0280	0.0269	0.0258
35.0	342,858	0.0286	0.0274	0.0264
37.5	349,675	0.0291	0.0280	0.0269
40.0	356,491	0.0297	0.0285	0.0274
42.5	363,307	0.0303	0.0291	0.0279
45.0	370,123	0.0308	0.0296	0.0285
47.5	376,940	0.0314	0.0302	0.0290
50.0	383,756	0.0320	0.0307	0.0295

Source: Northern Economics, Inc. analysis

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